# Three human capital management problems that lack good solutions

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I recently had the pleasure of being on Bonnie Graham's Coffee with Game Changers radio show to discuss my 2019 Wine Bottle Index review of HCM trends and forecasts.  The panel included Stacia Garr and David Youssefnia, two experts with deep understanding of the HCM technology market.  During the show Bonnie asked us to forecast the next "big thing" in HCM technology.  As I listened to my fellow panelists, I realized we were not forecasting what solutions would be built.  We were describing three growing problems that need to be solved.

**Problem #1.  Skills Management.**  We do not have a shortage of people in the labor market.  We do have a global shortage of people with the skills required to do a range of jobs.  By "skills", I mean knowledge and ability to perform specialized technical tasks and solve problems requiring subject matter expertise.   While increasing compensation will help close this skills gap for certain occupations, in many cases there are simply not enough qualified people able and willing to do the work.

This skills shortage is likely to become steadily worse due two factors.  First, digitalization of the economy is increasing the demand for people with highly specialized technical expertise.  At the same time, declining birth rates in many countries are resulting in more people leaving the labor market then entering it.  Excluding historical anomalies like World War II or the bubonic plague, this has never happened before.  The impact of declining birth rates on skilled labor is further compounded by differences in birth rates associated with education levels.  Adults with higher education levels are more likely to raise children with qualifications needed to enter the skilled labor market.  They are also the least likely to have children.

To address this skills shortage, companies need solutions to:
- ✓ Identify the types of skills needed to support their business growth
- ✓ Determine the number of people they will need to employ possessing these skills
- ✓ Find people in their internal workforce and external candidate populations who are proficient in these skills.
- ✓ Identify people who may not have these skills, but who have an aptitude for learning them based on their existing knowledge and aptitudes.  And then provide them with relevant skills training.

Several HCM technology solutions address some of these needs.  But what currently exists in the market falls far short of what companies require to effectively and sustainably address the increasing skills shortage.   This is not just a business problem.  It is creating significant problems for skilled employees who are being overworked due to shortages of qualified labor.   The gap between the skill requirements companies need and the skills people possess can also divide labor markets two distinct categories of "high skilled- high paid" and "low skilled-low paid" workers.  This sort of split can create long-term threats to the economic growth and stability of entire societies.

**Problem #2.  Measuring Relationships.**  Skills determine what things people can do.  Relationships provide insight into what things people choose to do and how they do it.   Business is defined by relationships.  The success of a company is driven by the strength of people's relationships with colleagues, direct reports, leaders, customers, vendors, suppliers, regulators, and so forth.  Despite the critical role of relationships, most companies still manage workforces based on formal reporting structures, financial data, and limited data about employee attributes.  Companies have almost no data

on employee relationships.   Consequently, they make critical staffing and investment decisions with little insight into how this will affect the relationships employees have built with coworkers and customers.

What companies need are solutions that effectively and sustainably:
✓ Identify the nature of work relationships within and outside organizations to provide insight into who works with who and how they are collaborating.
✓ Determine the nature of someone's reputation with their colleagues and customers based on how they impact other people's performance and attitudes.  It is not what we think about others, but what others think about us that determines if we have built effective work relationships.
✓ Diagnose strengths and weaknesses of existing relationships and communication patterns.
✓ Provide insight into how changes in the workforce or organizational structure will affect productivity by impacting relationships.

There has been progress made in development of solutions to assess relationships.  Most notable is using Organizational Network Analysis (ONA) to identify and measure the quality of relationships.  But current ONA methods are often considered to be too time consuming or inaccurate to be used for most operational workforce decisions.  We will know this problem has been solved when workforce re-structuring and staffing decisions are based on analyzing relationship data instead of just sorting salary numbers on financial spreadsheets and re-writing org charts.

**Problem #3.   Alleviating Data Privacy Concerns.**   Potential solutions suggested for the previous two problems frequently involve some version of analyzing "big data".  For example, analyzing electronic communications, social media data or other online data sources to identify skills and assess relationships.  These ideas may provide paths to effective solutions.  But they also fuel concerns around data privacy.  At a minimum, ignoring data privacy concerns will foster employee distrust.  But it can also spark widespread social movements leading to ever greater data restrictions.   Companies should avoid analyzing data if it will create privacy concerns with internal employees and external candidates.  What is need is research and potential solutions that will help companies:
✓ Identify valid data privacy concerns based on actual employee and candidate perceptions vs. assumptions about what employees will or will not view as inappropriate use of data.
✓ Build employees and candidate confidence that their data is not being used inappropriately.
✓ Give employees and candidates some way to control or at least monitor what data companies are using to make decisions about them that affect their lives and careers.

This requires far more than just building systems that comply with data privacy laws such as GDPR.  It is about creating solutions that build people's trust and confidence that data they share publicly on the web or privately with their colleagues will not be used inappropriately to damage their careers.

Many companies are actively working to solve these problems and have made significant steps in the right direction.  But in my experience, existing solutions fall far short of what companies truly need.  So here is my challenge.  In the sprit of the Wine Bottle Index that started this discussion, I will award a new bottle of new wine (2018 Oregon Pinot Noir to be exact) to the first person who shows me an example of an organization that has significantly addressed one or more of these problems.  My only request is that you allow me to profile the example in a future blog.